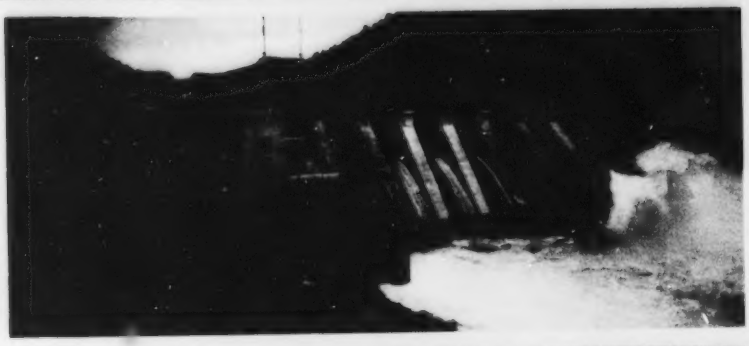
COLUMBIA POWER CORPORATION



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COLUMBIA POWER CORPORATION

ANNUAL REPORT • 1999/00

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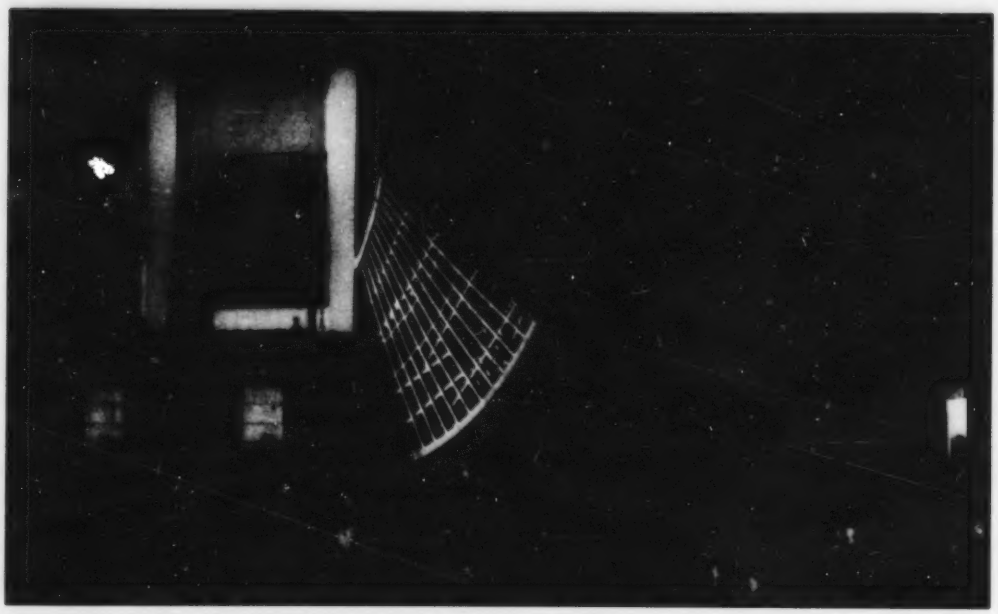
Mandate of Columbia Power Corporation

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia. Pursuant to the Columbia Basin Accord signed in 1995, the primary mandate of Columbia Power Corporation is to undertake power project investments as the agent of the Province on a joint venture basis with the Columbia Basin Trust.

The core projects to be undertaken by Columbia Power Corporation and the Columbia Basin Trust are the Keenleyside powerplant, the Waneta Expansion and the Brilliant Expansion. The joint venturers may also undertake other power generation, transmission or distribution projects in the Columbia Basin. The purchase of the Brilliant dam in 1996 was the first investment by the joint venturers. Construction of the Keenleyside powerplant commenced in 1999 and is scheduled for completion in 2002.

The objective of Columbia Power Corporation in making power project investments is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial corporation.



Placement of turbine draft tube forms at Keenleyside powerplant

Report to the Shareholder

The year ended March 31, 2000 saw great progress made by Columbia Power Corporation, as the corporation completed the first full year of construction on the Keenleyside powerplant project and moved forward on other projects with its joint venture partner, the Columbia Basin Trust.

Construction of the Keenleyside powerplant project began in March, 1999. By the end of the first year of construction, work on this major project was ahead of schedule while expenditures remained on budget. Completion is scheduled for April, 2002. While construction continued at the powerplant site, field work began on the transmission line to the Selkirk substation, where the power will be delivered to BC Hydro's power grid.

As the manager of its joint ventures with the Columbia Basin Trust, Columbia Power Corporation continued to advance other power projects in the joint venturers' portfolio. By the end of the fiscal year, arrangements were in place to proceed with the upgrade of turbines at the Brilliant powerplant, and the first of four turbine upgrades began in April, 2000. In addition to this project, which will increase the output of the Brilliant plant, a number of other capital projects are being undertaken to extend the life of this asset. These projects include generator rewinds, installation of anchors in the dam structure and construction of a new switchyard.

Planning and studies continued during the year in preparation for the Brilliant Expansion project. This project will see the construction of a new powerplant adjacent to the Brilliant dam to make use of water which would otherwise be spilled. An application for a Project Approval Certificate will be submitted to the Environmental Assessment Office during the coming year. Preliminary planning work also continued for the Waneta Expansion project.

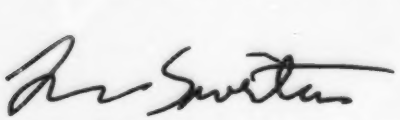
The corporation's participation in the powerplant upgrade at the Evans Forest Products Ltd. mill at Golden came to a successful conclusion, as Evans Forest Products completed this project, and repaid its $1.5 million loan to the joint venturers ahead of schedule.

Columbia Power Corporation participated in the public hearings held by the BC Utilities Commission into the proposal by West Kootenay Power to construct a new 230 kv transmission network in the Kootenays. As this project could potentially lead to the connection of the corporation's transmission facilities to the West Kootenay Power system, Columbia Power Corporation played an active role in the hearings. During the coming year, Columbia Power Corporation will participate in negotiations with West Kootenay Power regarding the interconnection of its Keenleyside transmission line and sharing of substation facilities adjacent to the Brilliant dam.

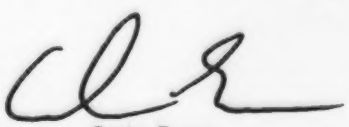
Through its Community Sponsorship Program, Columbia Power Corporation provided funds to a number of local organizations in support of programs and events that provide community benefits to residents of the Columbia Basin. The program included scholarships to students at each high school in the region. This program is representative of Columbia Power Corporation's commitment to translate its power project investments into benefits for the public.

Columbia Power Corporation's consolidated income in the year ended March 31, 2000 was $3,641,238, compared to $4,518,435 the previous year. The decrease was due primarily to the conclusion of the corporation's profitable contracts for the purchase and resale of surplus power from Cominco and the write-off of costs of discontinued projects.

The coming year is expected to be another challenging and rewarding one for Columbia Power Corporation, as the corporation continues its existing construction projects while advancing other projects in the joint venture investment portfolio. We would like to thank our employees for their skill and dedication, the residents of the Columbia Basin for their support of our initiatives and our partners at the Columbia Basin Trust for working jointly with us on our projects.

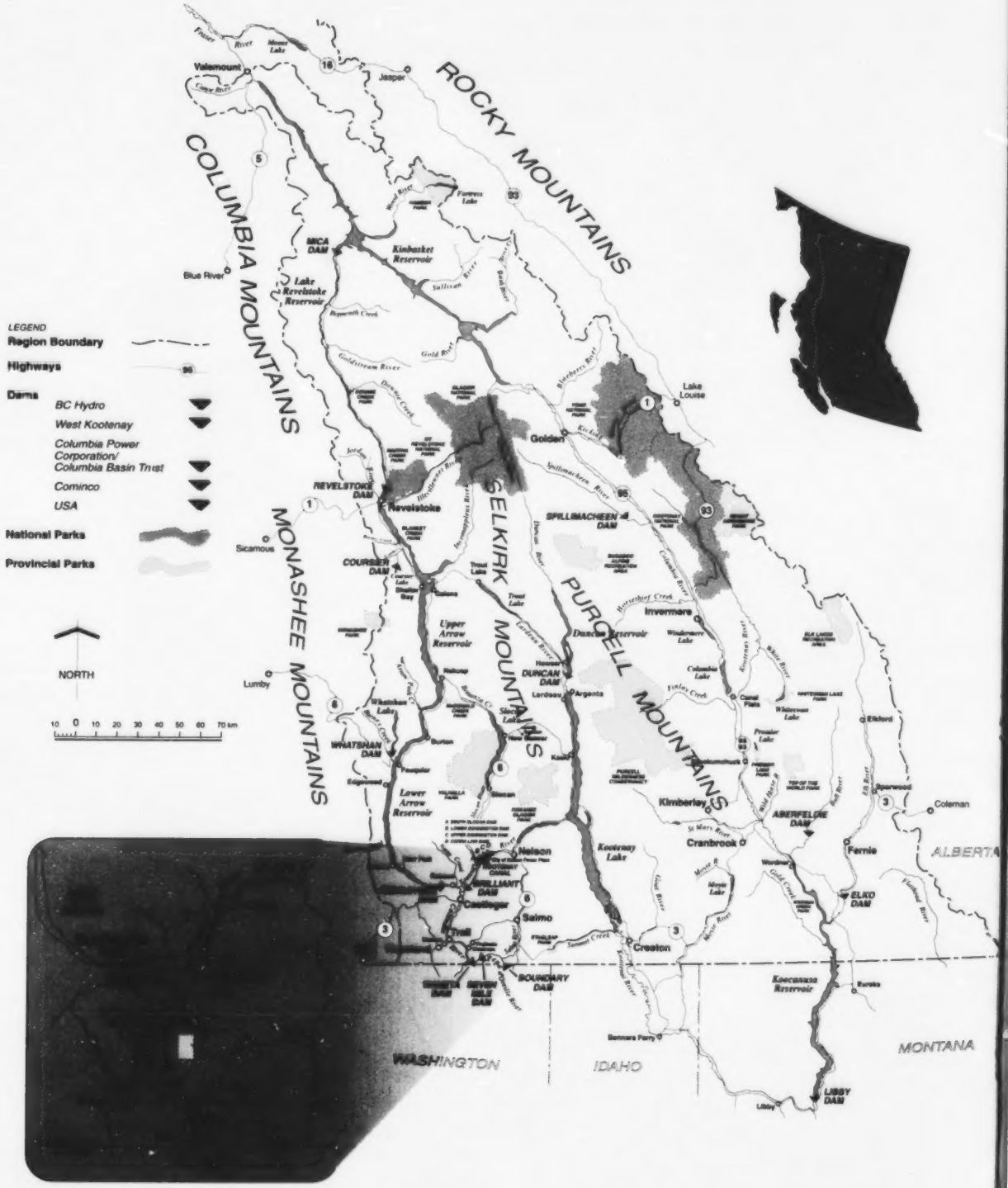


Lorne E. Sivertson
President



Corky Evans
Chair

Columbia Basin Power Projects



Power Project Planning

Under the terms of its 1995 financial agreement with the Columbia Basin Trust, the Province is investing $50 million a year for ten years in Columbia Power Corporation and the Columbia Basin Trust. These investments, which began in 1996, provide equity funding for power projects undertaken jointly in the Columbia Basin region by the two corporations. Columbia Power Corporation and the Columbia Basin Trust, through its subsidiary CBT Power Corp., have formed the Power Project Planning Joint Venture for the purpose of assessing and advancing power projects. When a decision is made to proceed with a project, a new joint venture is formed for that purpose. Columbia Power Corporation is the manager of these joint ventures.

(i) Brilliant Expansion

While construction is underway on the Keenleyside project, Columbia Power Corporation is proceeding with planning for the Brilliant Expansion on the Kootenay River. This project involves the construction at the Brilliant dam of an additional powerhouse with approximately 100 megawatts of capacity which would use water that currently passes through the spillways of the dam without generating power. The project is targeted to begin construction coinciding with the conclusion of Keenleyside construction and to be in service by 2005.

The base concept for the Brilliant Expansion project involves construction of a short intake canal from a point above the Brilliant dam to the new expansion powerhouse 100 metres downstream of the dam. Access to the new powerplant will be provided through a new bridge across the Kootenay River just below the dam. The 230 kv output from the powerhouse will be delivered to the power grid through the Keenleyside/Selkirk transmission line, which will pass within 500 metres of the plant. A switchyard will be constructed at the connection to this transmission line to provide facility protection in the event of system faults.

In addition to providing economic benefits through generation of energy using water that is otherwise spilled, the Brilliant Expansion project will provide benefits to fish through the reduction of Total Gas Pressure (TGP) levels in the water below the dam. TGP, which is produced as a result of water spilling through the Brilliant dam and upstream dams, is a hazard to fish. By reducing the amount of water spilled, the Brilliant Expansion will reduce TGP, thus benefiting fish downstream of the project.

Artist's rendition of Brilliant Expansion

Implementation of the project will be undertaken through a competitive design-evaluate-build process intended to optimize the design and economics of the project, following the approach used for the Keenleyside project. The competition process will award points for designs which reduce environmental and visual impacts without penalizing project economics.

Over the past year, Columbia Power Corporation made contact with communities and stake-holder groups in the project area to introduce and discuss the project. In the course of these meetings, project information was provided to the public, and input was received by Columbia Power Corporation which will be reflected in the application for a Project Approval Certificate. This application will be submitted in the coming year.

(ii) Waneta Expansion

The Waneta Expansion is a proposal to install an additional power generation facility with capacity of up to 380 megawatts at the Waneta dam, located on the Pend d'Oreille River just before its confluence with the Columbia River. This project is similar to the Brilliant Expansion in that it will make use of water that is in excess of the capacity of the existing powerplant and will not require construction of a new dam. As with Columbia Power Corporation's other hydro projects, the resulting passage of water through turbines instead of spillways will reduce the level of TGP downstream, thereby improving the environment for fish.

The Waneta dam is owned by Cominco Ltd., however the rights to undertake the expansion project were purchased by Columbia Power Corporation in 1994. The capacity of the Waneta Expansion will be determined on the basis of power optimization studies, environmental considerations and water availability.

The timing of the Waneta Expansion will be determined in conjunction with the schedules of other power projects being undertaken by Columbia Power Corporation and the Columbia Basin Trust, in keeping with the desire to undertake these projects on a sequential basis. Work to be done in the coming year includes a preliminary drilling program, hydraulic modeling and collection of detailed water flow data.

(iii) Waneta Upgrades

The Waneta Upgrades project is a proposal to purchase the incremental power entitlements attributable to refurbishment of the existing power generation facilities at the Waneta dam. The total capacity associated with the Waneta Upgrades is expected to be up to 100 megawatts.

Cominco Ltd., the owner of the Waneta dam, has completed the first of the four generating unit upgrades and has obtained a Project Approval Certificate for the remainder of the Waneta Upgrades. Columbia Power Corporation and the Columbia Basin Trust intend to enter into an agreement with Cominco for the purchase of the Waneta Upgrades power entitlement.

(iv) Thermal Power Projects

Columbia Power Corporation and the Columbia Basin Trust have also investigated opportunities to develop woodwaste-fueled thermal power projects. This led to an investment in 1998 in an upgrade of the powerplant at the Evans Forest Products Ltd. wood products mill at Golden. This investment took the form of a seven year loan in the amount of $1.5 million to achieve increased power generation as well as improved environmental performance through the installation of a new precipitator and related equipment. This project was successfully completed by Evans, and in 1999 the loan was repaid, ahead of schedule.

The Purcell Power Project was a proposal to construct and operate a 15 megawatt cogeneration plant at the Crestbrook Forest Industries pulpmill at Skookumchuck, at a cost of approximately $50 million, through a joint venture with Stothert Power Corp. The proposal called for power from the project to be sold to BC Hydro and process steam to be sold to Crestbrook Forest Industries under long-term contracts. During the past year it was determined that financing for the project could not be obtained at terms offered to lenders by the joint venturers, leading to the termination of involvement in the project by Columbia Power Corporation and the Columbia Basin Trust.

Keenleyside Powerplant Project

The Keenleyside powerplant project consists of the construction of a power generation facility with a capacity of 170 megawatts at the Keenleyside dam on the Columbia River near Castlegar and a 49 km transmission line connecting the project to the BC Hydro power grid at the Selkirk substation. The Keenleyside dam was constructed in the 1960's by BC Hydro pursuant to the Columbia River Treaty between Canada and the United States. The dam regulates water flows to provide flood control and power generation benefits in the United States, but does not currently have any capacity to generate power on site.

The Keenleyside project entered the Province of British Columbia's environmental assessment process in 1995 as a 220 megawatt project. Subsequent redesign work by Columbia Power Corporation reduced the project's environmental impacts while improving its economics by reconfiguring and reducing the size of the powerplant. The powerplant will contain two 85 megawatt vertical shaft Kaplan turbines. It will be situated 400 metres downstream of the Keenleyside dam and will be connected to the Arrow Lakes reservoir by a 1,500 metre intake channel which will pass around the dam.

The project's environmental review, which entailed extensive public consultation involving residents, municipal governments, First Nations and community organizations, culminated in the receipt of a Project Approval Certificate from the Province of British Columbia in April, 1998. This certificate confirmed the environmental viability of the project and allowed permits to be issued for construction and operation of the powerplant and transmission line. Under the terms of the certificate, Columbia Power Corporation will implement several measures to protect the environment in addition to improving fish habitat by reducing TGP levels downstream of the dam. These include providing ongoing funding for the Arrow Lakes fish fertilization program and payments to compensate for construction impacts on local parks.

In order to secure a market for the output of the Keenleyside project, Columbia Power Corporation and the Columbia Basin Trust purchased rights to sell power to BC Hydro under the terms of a contract originally signed by BC Hydro and Alcan Aluminium Ltd. This transaction allows the joint venturers to sell power to BC Hydro from the Keenleyside project for twelve years beginning January 1, 2003. The prices received for this power will be the same as those specified in the Alcan contract, and are expected to recover the capital cost of the project during the term of the contract.

To select a contractor for the construction of the powerplant, Columbia Power Corporation established a design-evaluate-build process whereby proposals were received from teams of construction/engineering/manufacturing firms. This process was established to ensure that the most cost-effective and innovative methods are used to construct the powerplant. At the conclusion of the process, Peter Kiewit Sons Co. Ltd. was selected to design and construct the powerplant under a fixed price contract.

Fish fertilization on Arrow Lakes

The proposal from Kiewit included Harza Engineering Ltd. as the principal design engineer and GE Hydro as the turbine and generator suppliers. Construction of the powerplant began in March, 1999 and is scheduled for completion in 2002. After the first full year of construction, the project is ahead of schedule, while expenditures are within budget.

During the past year Columbia Power Corporation completed almost all of its property rights acquisition activities for the transmission line route. Cutting of the transmission corridor centre-line as well as some clearing work took place on the right-of-way. Work to be undertaken during the coming year will include construction of access to the transmission line corridor, logging and clearing within the corridor, and construction of segments of the line.

Construction of the powerplant and transmission line will create approximately 1,000 person years of employment over a four year period. The budget for the construction period is $270 million. Columbia Power Corporation and the Columbia Basin Trust have created a new joint venture called Arrow Lakes Power Company for the purpose of constructing and operating the Keenleyside project.

Keenleyside powerplant under construction

Fish habitat enhancement at Keenleyside powerplant

Brilliant Dam Operations

Columbia Power Corporation and the Columbia Basin Trust formed a joint venture named Columbia Basin Power Company in 1996 to acquire and operate the Brilliant dam. Columbia Power Corporation is the manager of the joint venture. Brilliant Power Funding Corporation, owned equally by the joint venturers, was established to hold legal title to the Brilliant dam as nominee for the parent companies and to issue $96,000,000 of bonds to finance the dam purchase. The bonds, which are not guaranteed by the Province, are rated A (mid) by Dominion Bond Rating Services and A2 by Moody's Investors Service.

The Brilliant dam is operated on behalf of its owners by West Kootenay Power, as it was prior to the change in ownership. West Kootenay Power also purchases the entire Brilliant power entitlement under a 60 year sales agreement.

Net income from the Brilliant dam for the year ended March 31, 2000 was $2,491,680, compared to $2,154,846 in the previous year. The increase in income was due mainly to annual escalation of the original plant capital charge component of sales revenues, growth of sustaining capital charge revenues and higher interest earnings.

The amount of power sold, as determined by the Brilliant dam energy entitlement received under the Canal Plant Agreement, was 845,323 megawatt-hours, compared to 847,997 megawatt-hours in the previous year. There were no significant forced outages during the year. All sales were made to West Kootenay Power under the terms of the Brilliant Power Purchase Agreement.

The value of capital additions to the Brilliant dam during the year was $4,116,396. This spending was primarily for the manufacture of a new turbine runner to be installed in the spring and summer of 2000 as part of the Brillia nt Upgrades project, associated equipment to be installed at the same time as part of the life extension project and planning and engineering for other projects to be undertaken in the coming year.

The on-site construction phase for the Brilliant Upgrades project began in April, 2000 when one of the four generating units in the powerplant was taken out of service for a four month period to allow replacement of the turbine runner and related equipment. The design of the new runner, manufactured by GE Canada, and modifications to water passage components, will result in higher efficiency and output levels. A new water licence allowing the use of additional water in the powerplant was received in March, 2000. When all four upgrades are completed, the output of the powerplant will be increased by approximately 20 megawatts of capacity and 125 gigawatt-hours of annual energy.

At the same time as the generating units are being upgraded, life extension work will be carried out to rehabilitate, update or replace major components to ensure longterm reliable operation of the units. This program will include refurbishment of the generator stators and rotors, and replacement of generator transformers, exciters, generator cables, governors and protection and control equipment.

Construction of a new switchyard at the Brilliant powerplant began in June, 2000. This project, which is scheduled for completion in April, 2001, is necessary to maintain safety and reliability standards as the existing switchyard approaches the end of its useful life.

Phase I of the dam stabilization project is scheduled to begin in the summer of 2000. This project will allow the dam to meet state of the art stability criteria in the event of earthquakes and floods. An intake gate rehabilitation program will also commence at the dam in 2000.

Planned capital expenditures over the next four years total $55 million, most of which will be for the projects described above. These expenditures will be funded through a combination of internal funds, borrowing undertaken through the credit facility with the Canadian Imperial Bank of Commerce and the issue of additional bonds as allowed under the agreements with existing bondholders. The cost of this capital program will be recovered, with a return on investment, through the sustaining capital charge and upgrade capital charge under the Brilliant Power Purchase Agreement.

Statistics provided by the Canadian Electrical Association during the year showed that the Brilliant dam compares favourably to other hydroelectric generating stations in Canada. For 1998 (the latest year for which data is available), the operating factor for Brilliant, which measures plant availability and reliability, was 98.4%, compared to the Canadian average of 75.2%. The planned outage factor, which is a measure of time lost due to planned maintenance, was 0.41% for Brilliant, compared to the Canadian average of 6.3%. The forced outage factor, which is a measure of lost time due to forced outages, was .11% for Brilliant, compared to the Canadian average of 1.70%. For all of these indicators, the Brilliant dam performed better than the average reported by the Canadian Electrical Association.

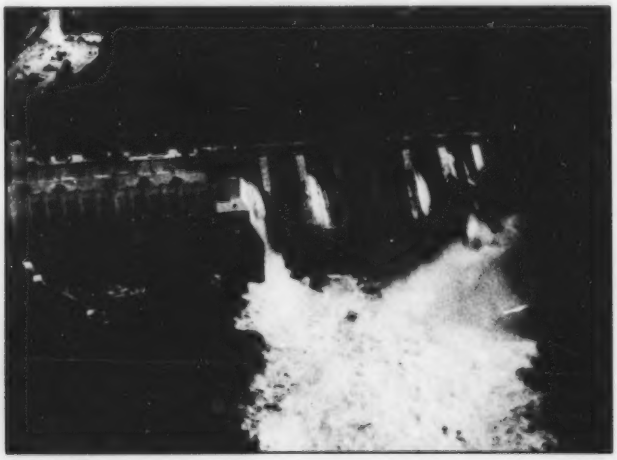
Construction of a new switchyard begins adjacent to the existing Brilliant switchyard

Brilliant Dam Operations
Summary Information

(Thousands of Dollars Unless Otherwise Stated)

	1999/00	1998/99	1997/98	1996/97[1]
Total Sales (megawatt-hours)	845,323	847,997	817,292	733,740
Average Price (cents/kwh)	2.5	2.4	2.5	2.3
Sales Revenue	21,329	20,210	20,301	16,763
Interest Revenue	410	380	231	219
Other Revenue	-	-	5	-
Operating Expenses	1,790	1,492	1,747	1,562
Taxes and Water Rentals	6,290	5,992	6,319	4,872
Interest Expense	8,716	8,601	8,524	7,361
Amortization	2,450	2,350	2,333	1,862
Earnings	2,492	2,155	1,614	1,325
Joint Venturers' Equity	45,405	45,730	45,449	46,061
Annual Return on Equity	5.5%	4.7%	3.6%	3.4%
Distribution to Joint Venturers	3,450	2,850	2,660	1,480
Capital Expenditures	4,116	4,728	3,730	2,247
Long-term Debt (Series A Bonds)	92,577	93,512	94,369	95,155
Current Portion of Long-term Debt (Series A Bonds)	935	857	785	719
Advance from Trust Account	11,977	7,190	1,950	-
Debt Service Coverage Ratio	1.38	1.39	1.35	1.33

1. Information for 1996/97 represents the period from May 22, 1996 to March 31, 1997



Brilliant Dam

Discussion of Financial Results

Net income earned by Columbia Power Corporation in 1999/00 was $3,641,238, compared to $4,518,435 in the previous year. The reduction in income was due to the loss of revenue following the conclusion of the profitable contracts for the purchase and resale of surplus power from Cominco and the write-off of costs of discontinued projects. Partially offsetting these reductions were increased earnings from the operation of the Brilliant dam and higher interest revenue.

The majority of interest revenue was earned in the segregated trust account held by British Columbia Investment Management Corporation in trust for Columbia Power Corporation. This revenue is available only for the purpose of investing in joint venture power projects with the Columbia Basin Trust, as are the funds placed into the account by the Province.

Capital spending totaled $26,225,364 during the year. Almost all of this amount was invested in power projects undertaken jointly with the Columbia Basin Trust, and was funded from payments by the Province into the segregated trust account established for this purpose. The major area of expenditure was construction of the Keenleyside powerplant, followed by additions to the Brilliant power facility. An interest-free loan was made to the Columbia Basin Trust using funds from the segregated trust account to pay for its share of joint venture capital spending.

During the past year, Columbia Power Corporation's return on equity declined to 1.8% from 2.9%. The rate of return reflects the fact that most of the corporation's projects are still in the development phase, with intensive capital spending being undertaken in advance of receipt of revenues. As more projects enter the operations stage and begin to earn revenue, the return on equity will increase accordingly.

The rate of return on assets in service rose to 5.5% from 4.7%. This rate of return is a function of the sales arrangements for the output of the Brilliant dam, under which the rate of return grows steadily each year to provide the target return on investment over the life of the contract.

All cash received from operations in the last year was retained to provide reserves for future capital requirements and dividend payments to the Province. Columbia Power Corporation's budgets and material decisions are subject to approval of the Province's Treasury Board.

Community Sponsorship

Columbia Power Corporation provides sponsorship funding for numerous events and organizations in the communities of the Columbia Basin in keeping with its commitment to translate power project investments into benefits for the public. Sponsorship funding was provided in the past year for community services, regional events and scholarships and bursaries in the Columbia Basin.

Community Services:

During the past year, Columbia Power Corporation provided thirty-one sponsorships for community services ranging from fish and wildlife enhancement projects to community celebrations and recreational projects.

Examples of sponsorship projects in the past year include a mural created at the Robson Community School depicting the history of the Arrow Lakes, the millennium gateway monument project in Revelstoke, and support for the Nelson Search and Rescue Association. Contributions were made to a number of wildlife groups to improve spawning habitat in Sproule Creek, Murphy Creek, Norns Creek and Blueberry Creek.

Regional Events:

Columbia Power Corporation was a major sponsor of the Kootenay Value Added Wood Forum held in Golden. This event brought sectors of the value added wood industry together for a conference and exhibition of crafted wood products.

Scholarships and Bursaries:

Columbia Power Corporation provides scholarships to graduating classes of all 23 secondary schools in the Columbia Basin. Bursaries are also made available to students enrolled at the College of the Rockies, the Kootenay School of the Arts and Selkirk College.

In conjunction with the provision of bursaries to colleges of the Columbia Basin, Columbia Power Corporation sponsors the Children's Festival held during the Festival of Trees, an annual fund-raising event organized by Selkirk College.

Columbia Power Corporation supporters at Sunfest parade

Board of Directors

Honourable Corky Evans, Chair
Minister of Agriculture, Food and Fisheries

Lorne Sivertson
President
Columbia Power Corporation

Ed Pietraszek
Corporate Secretary/Treasurer
Columbia Power Corporation

Officers

Lorne Sivertson
President

Victor Jmaeff
Vice-President, Operations and Engineering

Bill Freeman
Vice-President, Planning and Development

Bruce Duncan
Vice-President, Strategic Planning

Ed Pietraszek
Corporate Secretary/Treasurer

Wally Penner
Director, Community and Regional Affairs

Randall Smith
Comptroller

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

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COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

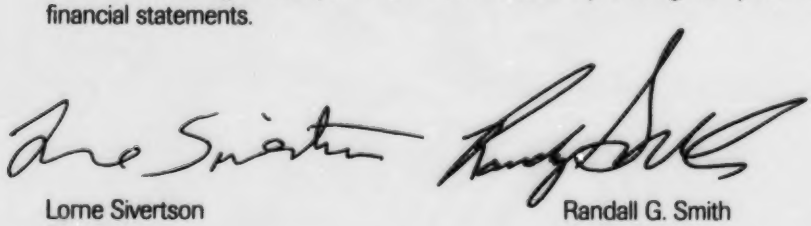
FOR THE YEAR ENDED MARCH 31, 2000

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control, policies and procedures which are designed to provide reasonable assurance that Columbia Power Corporation's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of British Columbia has been appointed by management to audit the consolidated financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing his opinion on the consolidated financial statements.



Lorne Sivertson
President

Randall G. Smith
Comptroller

May 5, 2000

Report of the Auditor General of British Columbia

To the Shareholder of Columbia Power Corporation, and

To the Minister of Agriculture Food and Fisheries,
Province of British Columbia:

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2000 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *Columbia Power Corporation* as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Wayne Strelioff

Victoria, British Columbia
May 5, 2000

Wayne Strelioff, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

	2000	1999
ASSETS		
Current assets		
Cash (Note 3)	$ 4,122,928	$ 3,927,801
Short term investments	5,813,140	3,387,155
Accounts receivable and unbilled revenue	3,184,654	3,000,656
Land and timber inventory (Note 4)	227,759	-
Prepaid expenses and deposits	707,026	814,762
	14,055,507	11,130,374
Capital assets (Note 5)	72,181,690	70,543,008
Other assets		
Due from joint venture partner (Note 6)	85,003,926	56,593,065
Hydroelectric power expansion rights (Note 7)	51,850,000	51,850,000
Deferred costs (Note 8)	38,994,230	16,237,193
Power sales right (Note 9)	11,376,000	11,376,000
Debt service reserve fund (Note 19(a)(ii))	2,316,644	2,316,644
Operating reserve account (Note 19(a)(iii))	702,000	504,500
Deferred debt issue costs (Note 10)	474,144	492,264
Loan receivable (Note 11)	-	462,750
	190,716,944	139,832,416
	$ 276,954,141	$ 221,505,798

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

	2000	1999
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,753,686	$ 3,320,484
Interest payable on long-term debt	1,391,770	1,400,670
Current portion of long-term debt	467,715	428,587
Due to related parties (Note 20)	617,434	533,455
BC corporation capital tax payable	115,952	108,773
	4,346,557	5,791,969
Deferred revenue	523,317	520,504
Long-term debt		
Series A Brilliant project bonds (Note 14)	46,288,292	46,756,006
Equity		
Share capital (Note 16)	5	4
Contributed surplus (Note 17)	214,116,236	160,398,819
Retained earnings	11,679,734	8,038,496
	225,795,975	168,437,319
	$ 276,954,141	$ 221,505,798

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31

	2000	1999
REVENUES		
Sale of power - Brilliant power facility	$ 10,664,572	$ 10,105,228
Sale of purchased power	-	6,857,082
Interest (Note 18)	3,452,393	3,281,058
Management fee	277,579	173,657
	14,394,544	20,417,025
EXPENSES		
Cost of purchased power	-	6,122,500
Water rentals	1,981,578	1,961,109
Amortization of capital assets in service	1,316,193	1,229,025
Property tax	929,735	815,898
Operations and maintenance	491,535	388,169
Provision for BC corporation capital tax	256,699	228,569
Administration and management	683,382	463,588
Insurance	166,698	175,515
Community sponsorship	74,680	75,000
Development costs expensed	638,533	146,749
	6,539,033	11,606,122
INCOME FROM OPERATIONS	7,855,511	8,810,903
FINANCE CHARGES		
Interest on series A Brilliant project bonds	4,195,326	4,224,530
Bank charges and interest	827	49,818
Amortization of deferred debt issue costs	18,120	18,120
	4,214,273	4,292,468
NET INCOME FOR THE YEAR	$ 3,641,238	$ 4,518,435

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31

	2000	1999
RETAINED EARNINGS - beginning of year	$ 8,038,496	$ 3,520,061
Add: Net income	3,641,238	4,518,435
RETAINED EARNINGS - end of year	$ 11,679,734	$ 8,038,496

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

	2000	1999
OPERATING ACTIVITIES:		
Net income for the year	$ 3,641,238	$ 4,518,435
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	1,316,193	1,229,025
Amortization of deferred debt issue costs	18,120	18,120
Development costs expensed	513,451	146,749
Net change in non-cash working capital balances	(1,785,748)	622,251
	3,703,254	6,534,580
FINANCING ACTIVITIES:		
Issue of share capital	53,717,418	25,259,578
Proceeds of short term loans	-	12,100,000
Repayment of short term loans	-	(12,100,000)
Principal repayment of Series A Brilliant project bonds	(428,585)	(392,734)
	53,288,833	24,866,844
INVESTING ACTIVITIES:		
Advance to joint venture partner	(28,410,861)	(14,108,711)
Deferred costs	(23,270,488)	(9,110,309)
Short term investments	(2,425,985)	(1,387,155)
Additions to Brilliant power facility	(1,928,193)	(2,279,618)
Purchase of land	(875,804)	(1,038,929)
Loan receivable advanced	(270,063)	(462,750)
Loan receivable repayment	732,813	-
Transfer to operating reserve account	(197,500)	(303,000)
Purchase of furniture, equipment and vehicles	(150,879)	(248,254)
	(56,796,960)	(28,938,726)
INCREASE IN CASH DURING THE YEAR	195,127	2,462,698
CASH - BEGINNING OF YEAR	3,927,801	1,465,103
CASH - END OF YEAR	$ 4,122,928	$ 3,927,801

The accompanying notes are an integral part of these financial statements

1. Columbia Power Corporation

(a) Structure and financing

Columbia Power Corporation (CPC) was incorporated on April 18, 1994 under the Company Act of British Columbia and is wholly owned by the Province of British Columbia. As an agent for the Province, CPC is committed to entering into joint ventures to develop hydroelectric power projects as set out in the Agreement signed July 27, 1995 (the Agreement) between the Province and the Columbia Basin Trust (the Trust). The Trust is not an agent of the Province and is controlled by a regional board of directors.

The Agreement anticipates that several power projects will be undertaken through joint ventures between CPC and subsidiaries of the Trust (the Venturers). The cost of all projects under consideration is expected to exceed $1 billion.

Under the Agreement, between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and the Trust's subsidiaries. Funds will be provided approximately as follows:

(i) by payments of $50 million to CPC on April 1st of each of the years 1996 through 2000; and

(ii) by payments of $50 million to the Trust on April 1st of each of the years 2001 through 2005.

The Province's contributions to CPC are held by BC Investment Management Corporation (BCIMC), a provincial crown corporation, in a segregated trust account in the name of CPC. These funds may only be released to CPC when required for capital costs of a power project in accordance with a budget approved by Treasury Board.

The Venturers each hold a 50% interest in the joint ventures and direct their activities through Management Committees with an equal number of members appointed by each Venturer. All decisions of the Management Committees require the unanimous approval of its members.

CPC is appointed the Manager of the joint ventures with the authority to manage the day-to-day activities, subject to direction from the Joint Venture Management Committees, and in accordance with annual capital and operating budgets approved by Treasury Board.

(b) Power project planning

On February 28, 1996, CPC and CBT Power Corp. (CBT Power), a subsidiary of the Trust, entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this agreement, the parties formed an unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects pursuant to the Agreement between the Province and the Trust.

The agreement provides for the Venturers to conduct work on specific power projects up to the date that an existing project is acquired, construction has commenced on a new project, or a project is no longer feasible or is abandoned. Prior to a project's acquisition or commencement of construction, approval must be received from the Directors of both CPC and the Trust. CPC's material decisions are also subject to the approval of the Province's Treasury Board. The project must also meet financial viability tests consistent with those of a commercial lender. When a project is acquired, or project construction is commenced, the project is to be transferred to a separate joint venture.

(c) Brilliant power facility

On May 3, 1996, CPC and CBT Power entered into the Columbia Basin Power Company (CBPC) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture for the purpose of operating the Brilliant Dam assets.

Brilliant Power Funding Corporation (BPFC) was incorporated on April 26,1996 under the Company Act of British Columbia and was established to hold legal title to the Brilliant Dam assets as well as to issue Brilliant Project Bonds as agent and nominee for CPC and CBT Power. The rights to the use and enjoyment of the Brilliant Dam assets have been assigned to CBPC.

Under the Agreement, the Venturers specify that, unless otherwise agreed by them, their liabilities and obligations under CBPC's agreements are to be several and equal to their participating interest in CBPC. The Venturers cannot use their CBPC participating interest as security for indebtedness. Further, the Trust has agreed that it will not use its CBT Power shares as security for indebtedness. The Trust has also agreed that CBT Power will not conduct any activities other than those related to CBPC and the Power Project Planning Joint Venture (a Joint Venture between CBT Power and CPC).

(d) Arrow Lakes Power Company Joint Venture (ALPC)

On August 28, 1998, CPC and CBT Arrow Lakes Power Development Corp., (CBT Arrow Lakes) a subsidiary of the Trust, entered into the Keenleyside Power Company (since renamed Arrow Lakes Power Company) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the construction of a powerplant at the Hugh Keenleyside Dam and a transmission line from the powerplant to the Selkirk substation.

Keenleyside Power Development Corporation (since renamed Arrow Lakes Power Development Corporation (ALPDC)) was incorporated on June 10, 1998, under the Company Act of British Columbia. ALPDC was established to hold legal title to the real and tangible personal property comprising the Keenleyside powerplant and transmission lines, as agent and nominee for the Venturers. The rights to the use and enjoyment of the Keenleyside powerplant and transmission line assets have been dedicated to ALPC.

When approval was given by the Province's Treasury Board and the Trust's Board of Directors to begin construction of the Keenleyside Project, deferred development costs to date for the Keenleyside project were transferred from PPPJV to ALPC.

(e) Columbia Thermal Power Company Joint Venture (CTPC)

On June 30, 1998, CPC and CBT Thermal Energy Corp., a subsidiary of the Trust, entered into the Columbia Thermal Power Company Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily to carry out thermal power projects in the Columbia Basin region.

When approval was given by the Province's Treasury Board and the Trust's Board of Directors to enter into a loan agreement with Evans Forest Products Limited (Evans), deferred development costs to date for the Evans loan were transferred from PPPJV to CTPC.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

(a) Consolidated financial statements

These consolidated financial statements include CPC's operations and interests in PPPJV, CBPC, ALPC and CTPC. The joint ventures are consolidated using the proportionate consolidation method, whereby CPC's accounts are combined on a line by line basis with its proportionate share (in this case 50%) of the joint ventures' assets, liabilities, revenues, expenses and cash flows. Intercompany balances and transactions between CPC and the joint ventures have been eliminated.

(b) Revenue recognition

West Kootenay Power Ltd. (WKP) is the purchaser of all power received under the Brilliant Dam Entitlement. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 19(a)(i)).

During 1998/99 CPC purchased hydroelectric power from Cominco Ltd. and sold it under agreement to British Columbia Power Exchange Corporation (Powerex), a wholly-owned subsidiary of the British Columbia Hydro and Power Authority (BC Hydro), which resold the power to utilities and industrial users. Sales revenue was recognized at the time CPC delivered the power to Powerex.

(c) Capitalization and amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to write off the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Brilliant power facility

The Brilliant power facility is recorded at cost and is amortized on a straight-line basis over 60 years consistent with the 60 year term of the Brilliant Power Purchase Agreement and the revenues provided under that agreement. Capital additions to the Brilliant power facility are recorded at cost and are amortized on a straight-line basis over 30 years, consistent with the 30 year sustaining capital expenditure recovery provided by the Brilliant Power Purchase Agreement. Upgrades capital expenditures will be amortized on a straight-line basis over the remainder of the 60 year Brilliant Power Purchase Agreement, which provides for recovery of upgrades capital expenditures over the same period.

(ii) CPC offices

Computer systems	-	straight line over 3 years
Office furniture & equipment	-	straight line over 5 years
Leasehold improvements	-	straight line over 5 years
Vehicles	-	straight line over 8 years

(d) Hydroelectric power expansion rights

Hydroelectric power expansion rights are recorded at cost in these consolidated financial statements.

(e) Deferral of power project costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects and costs incurred undertaking construction projects are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

(e) Deferral of power project costs (continued)

When a project is acquired or construction commences, the related deferred costs of that project form part of its capital cost. When a project is abandoned, the costs deferred for that project are expensed.

The appropriateness of deferring a project's costs is considered annually. The annual review considers a number of significant estimates and qualitative factors prior to forming an overall judgment on the project's prospects and the likelihood of cost recovery. When a project's costs exceed those likely to be recovered, the excess is expensed.

(f) Deferral of loan development costs

Development costs associated with the loan to Evans were expensed when the loan was repaid in full.

(g) Deferred debt issue costs

Expenditures incurred in issuing the Series A Brilliant Project Bonds are deferred and amortized on a straight-line basis over the bonds' term of 30 years.

(h) Foreign currency translation

1998/99 foreign currency denominated revenue which was not hedged was converted into Canadian dollars at the exchange rate in effect when the revenue was recognized. Foreign currency denominated revenue which was hedged was converted into Canadian dollars at the exchange rate established by the hedge. All foreign exchange gains and losses were included in income.

(i) Taxes

No provision for income tax or federal large corporations tax has been made in the financial statements. CPC is exempt from income tax under paragraph 149(1)(d) of the Income Tax Act. CPC is also exempt from federal large corporations tax under sub section 181.1(3) of the Income Tax Act. CPC is subject to British Columbia corporation capital tax (CCT) under Section 3(1) of the Corporation Capital Tax Regulation.

3. Cash

Cash includes unrestricted operating accounts and restricted accounts as follows:

	March 31, 2000	March 31, 1999
Operating accounts (unrestricted)	$ 4,122,928	$ 2,232,706
ALPC construction trust account (restricted under construction contract)	-	1,607,595
ALPC fish entrainment compensation account (restricted under annual funding commitment)	-	87,500
	$ 4,122,928	$ 3,927,801

4. Land and timber inventory

Land and timber inventory was purchased as a result of transmission Right of Way (ROW) acquisition. Timber inventory will be realized upon logging the ROW. Land inventory will be realized upon private sale.

The value of land and timber held for resale is based on the lower of cost and net realizable value. Any gains or losses upon sale of inventory will increase or reduce the net cost of the ROW.

	March 31, 2000	March 31, 1999
Land inventory	$ 185,639	-
Timber inventory	42,120	-
	$ 227,759	-

5. Capital assets

	Cost	Accumulated Amortization	NBV March 31, 2000	NBV March 31, 1999
Brilliant power facility	$71,988,771	$4,428,385	$67,560,386	$66,839,196
Brilliant lands	2,359,309	-	2,359,309	2,359,309
ALPC lands	1,889,184	-	1,889,184	1,036,955
Other lands	25,549	-	25,549	1,974
Computer systems	200,423	109,561	90,862	84,364
Furniture and equipment	181,161	52,327	128,834	78,394
Leasehold improvements	113,706	41,047	72,659	80,299
Vehicles	67,460	12,553	54,907	62,517
	$76,825,563	$4,643,873	$72,181,690	$70,543,008

ALPC lands of $1,889,184 include acquisition and related costs to date of $1,748,769 and transferred lands and statutory rights of way of $140,415. In 1999/00, lands and statutory rights of way with a carrying cost of $13,283 and fair market value $21,012 (1998/99 – carrying cost $127,132, fair market value $432,700) were transferred by BC Hydro to CPC.

6. Due from joint venture partner

Under the terms of the Joint Venture Agreements (Note 1), CPC has agreed to make interest free advances to fund the Trust's share of joint venture cash requirements. CPC is committed to advancing these funds only to the extent they have trusteed funds available. Such advances are secured by the Trust's commitment to use its future power project contributions from the Province to repay any advances owed to CPC from the Trust. Further, the Trust pledges its interest in joint venture assets to CPC while advances are owed by it to CPC.

7. Hydroelectric power expansion rights

CPC holds hydroelectric power expansion rights for the Waneta and Brilliant dams in the Columbia Basin. These rights include options to purchase lands near the Waneta and Brilliant dams at a nominal cost and the right to develop and operate new hydroelectric facilities on these lands.

8. Deferred costs

	March 31, 2000	March 31, 1999
Deferred power project costs		
Power Project Planning Joint Venture	$ 3,008,101	$2,552,413
Arrow Lakes Power Company	35,986,129	13,655,914
Deferred loan development costs		
Columbia Thermal Power Company	-	28,866
	$38,994,230	$16,237,193

Deferred power project costs are carried on the balance sheet of CPC based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the economic viability of each project. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the economic viability of projects.

ALPC costs of the construction contract are included in ALPC deferred power project costs and are recorded according to the schedule of payments under the contract as this schedule is intended to reflect the progress of various activities of the work and the general values assigned to those activities. Payments to the ALPC construction contractor are made on the basis of achievement of scheduled milestones and progress towards future milestones. Precise measurement of percentage of completion of the project is not readily determinable. Project milestones for March and April 2000 were achieved in February 2000. In May 2000, the ALPC construction contractor achieved sufficient progress towards future milestones to receive scheduled payments to June 30, 2000.

9. Power sales right

On November 20, 1997, Enron Power Marketing Inc. (EPMI), purchased from Alcan Aluminium Limited the right and obligation to sell BC Hydro 167 average MW annually from January 1, 1998 to December 31, 2014. CPC and CBT Arrow Lakes subsequently entered into an agreement with EPMI to acquire for $22,752,000 (CPC's share is $11,376,000) the right and obligation to provide up to 86 average MW of the BC Hydro contract during the period January 1, 2003 to December 31, 2014. CPC and CBT Arrow Lakes intend to use a power entitlement provided by BC Hydro, in return for the output of the Keenleyside project during this period, to meet their obligations under the contract.

10. Deferred debt issue costs

CPC's 50% share of debt issue costs incurred by CBPC in issuing long-term debt:

	March 31, 2000	March 31, 1999
Deferred debt issue costs	$ 543,604	$ 543,604
Accumulated amortization	(69,460)	(51,340)
	$ 474,144	$ 492,264

11. CTPC - Loan to Evans Forest Products Limited

In 1998 the Joint Venturers approved a loan for $1,500,000 to finance the installation of a new electrostatic precipitator and related equipment to allow increased power production at Evans' mill in Golden, B.C. On August 6, 1998, $959,873 was advanced to Evans. The balance of the approved loan was advanced on May 3, 1999. The loan bore interest at 10% per annum and was secured by a general security agreement.

On November 30, 1999, the Evans loan was repaid in full. Prior to year end, the joint venture distributed its accumulated earnings to the joint venturers and transferred its contributed equity to the Power Project Planning Joint Venture.

The joint venture will remain inactive until the joint venturers undertake thermal projects in the future.

12. Proportionately consolidated joint ventures

CPC participates in four power project joint ventures with subsidiaries of the Trust. CPC has included in its consolidated financial statements and notes the following financial position, operating results, and cash flows which represent its 50% interest in PPPJV, CBPC, ALPC and CTPC:

12. Proportionately consolidated joint ventures (continued)

(i) Financial Position (as at March 31)

	2000	1999
Assets		
Plant and equipment	$71,988,711	$70,060,578
Accumulated amortization	(4,428,385)	(3,221,382)
	67,560,326	66,839,196
Land	4,248,493	3,396,263
Power project assets	71,808,819	70,235,459
Current assets	7,866,378	6,733,702
Power sales right	11,376,000	11,376,000
Deferred costs	39,402,948	16,237,193
Other assets	3,492,788	3,707,594
	133,946,933	108,289,948
Liabilities		
Long-term debt	(52,276,960)	(50,350,815)
Current liabilities	(4,958,946)	(6,215,751)
	(57,235,906)	(56,566,566)
Equity in Joint Venture	$76,711,027	$51,723,382

(ii) Operating Results (For the year ended March 31)

	2000	1999
Revenues		
CBPC	$10,869,613	$10,295,427
CTPC	63,096	37,789
	10,932,709	10,333,216
Expenses		
CBPC	9,623,773	9,218,004
PPPJV	648,260	154,586
CTPC	43,160	23,652
	10,315,193	9,396,242
Net income	$ 617,516	$ 936,974

(iii) Cash Flows (For the year ended March 31)

	2000	1999
Opening cash	$2,809,232	$ 855,123
Cash from operations	872,521	2,954,915
Cash applied to investments	(26,341,796)	(9,487,215)
Cash from financing	27,948,200	9,911,407
CBPC cash distribution	(1,725,000)	(1,425,000)
Closing Cash	$ 3,563,157	$ 2,809,230

13. Pension plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the Pension (Public Service) Act. The Pension Corporation of the Province of British Columbia administers the plan, including the payment of pension benefits, on behalf of employers and employees to whom the Act applies.

The plan is a defined benefit pension plan. The details of any unfunded liability or surplus of the plan are described in the financial statements of the plan included in the Public Accounts of the Province of British Columbia. The Province of British Columbia has statutory responsibility for any unfunded liability of the plan.

Employees of CPC are eligible for the same post retirement benefits as other members of the public service pension plan. These include payments for medical services plan and extended healthcare premiums. No provision, other than CPC's required employer pension contributions, has been made in the accounts of CPC for this liability.

Effective January 1, 1998, CPC established an executive pension benefit plan (EPBP). Under the EPBP, CPC shall contribute each year to a trustee, in advance, an irrevocable and renewable letter of credit in an amount necessary to provide the EPBP benefits accruing and any unfunded liability. Employee contributions are not required under the EPBP.

An actuarial valuation of the EPBP was performed by McFarlane Amerlee Consulting Limited Actuaries & Pension and Benefit Consultants, at December 22, 1999. Based on this valuation, a pension liability estimated to be $72,399 at March 31, 2000 (1998/99 - $50,018) is included in accrued liabilities.

14. Series A Brilliant project bonds

The following is CPC's 50% share of long-term debt issued by CBPC:

	1999/00	1998/99
Opening Balance	$ 47,184,593	$47,577,326
Repayment of principal during the year	(428,587)	(392,733)
	46,756,006	47,184,593
Long-term debt due within one year	(467,715)	(428,587)
	$46,288,291	$46,756,006

The Series A Brilliant project bonds (the Bonds) are repayable in equal semi-annual payments of principal and interest amortized over 30 years to May 31, 2026. Interest is calculated semi-annually at a rate of 8.93% which is an effective annual interest rate of 9.13%.

14. Series A Brilliant project bonds (continued)

The Bonds are secured on a limited recourse basis by charges against the Brilliant Dam assets including related material contracts, licenses, permits, approvals, authorizations and insurance coverages. The agreements with the Bondholders include requirements for a debt service reserve fund, an operating reserve account and a sustaining capital expenditure commitment. Further, cash distributions to the Venturers by CBPC are restricted to cash available after a series of payment priority conditions have been assessed. The payment priority conditions include provisions for operating and maintenance expenses, capital, maintenance expenditures and debt repayment.

The Bonds are redeemable by CBPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding or a price calculated to provide a yield to maturity, based on the current yield of a matching duration Government of Canada bond plus 0.30%.

15. Credit facility

In accordance with the agreements with Bondholders, CBPC has secured a $10,000,000 credit facility with the Canadian Imperial Bank of Commerce (CIBC). This credit facility has security ranking equal to the Series A Brilliant Project Bonds (Note 14) and can be in the form of prime based loans, bankers' acceptances, letters of credit and interest rate swaps. Proceeds from the credit facility can be used to fund sustaining capital and Brilliant upgrade expenditures as well as provide a line of credit for operations.

16. Share capital

Authorized:

100,000,000 common shares, no par value

Issued:

5 common shares	$5

17. Contributed surplus

Contributed surplus represents the contributions made by the Province to permit CPC to purchase hydroelectric power expansion rights and to fund power project costs to March 31, 2000. CPC records contributions from the Province when funds are transferred from the segregated trust account. During the year $53,717,418 (1998/99 - $25,259,578) was transferred from the segregated trust account.

18. Interest earned on segregated trust funds

Interest revenue includes $2,647,708 (1998/99 - $2,815,538) earned during the year on the segregated trust account. Funds not immediately required during the year for power project development costs were held in trust and invested by BCIMC under a Funds Management Agreement. The segregated trust funds were invested in BCIMC's Canadian Money Market Funds and yielded 4.9% (1998/99 – 5.2%).

19. Commitments

(a) Columbia Basin Power Company

(i) Brilliant Power Purchase Agreement

WKP is a regulated public utility which generates and sells power in the southern interior of British Columbia.

Under the Brilliant Power Purchase Agreement, WKP will purchase all the power received under the Brilliant Dam Entitlement. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by WKP composed of an operation and maintenance cost charge and a return on capital charge. The purpose of the return on capital charge is to allow CBPC to recover all capital expenditures and a target rate of return on equity invested. The return on capital charge consists of the following components:

- the original plant capital charge which provides for the recovery of the acquisition costs of the Brilliant dam and the first year sustaining capital expenditures plus a 12.5% return on equity over the 60 year term of the agreement;
- the sustaining capital charge which provides for the recovery of sustaining capital expenditures plus a 12.5% return on equity over 30 years; and
- the upgrade capital charge which provides for the recovery of upgrade capital expenditures plus a 12.5% return on equity over the remaining term of the agreement.

In the second 30 years of the contract with WKP, there will be an annual market-related price adjustment.

(ii) Debt service reserve fund

Under its agreements with its Bondholders, CBPC committed to establish and maintain over the term of the Bonds (30 years to May 31, 2026) a debt service reserve fund of at least $4,632,812 (CPC's share is $2,316,406) equal to one semi-annual payment on the bonds. Use of the fund is restricted to debt service payments. The fund is held by a Trustee and forms part of the Bondholders' security. Income earned on the fund is paid to CBPC.

(iii) Operating reserve account

Under its agreements with its Bondholders, CBPC has committed to establish over four years and subsequently maintain an operating reserve account in an amount equal to one-quarter of annual operating expenses. This account is funded out of available cash flow and has a balance of $1,404,000 (CPC's share is $702,000).

(iii) Operating reserve account (continued)

Use of the account will be restricted to paying operating and maintenance expenses in the event that CBPC has no other funds readily available to it when it is required to pay such expenses. These funds are to be held by CBPC in a segregated account and will not be available as security for any loans or other indebtedness.

(iv) Capital maintenance expenditures

Under its agreements with the Bondholders, CBPC has committed to keep the Brilliant Dam in good operating condition and to effect all necessary repairs and replacements to the Brilliant Dam to maintain the Brilliant Dam Entitlement, subject in each case to the requirements of good industry practice.

Sustaining capital expenditures are expected to average $10,980,000 (CPC's share is $5,490,000) annually over the next 5 years and $462,000 (CPC's share is $231,000) annually over the subsequent 10 years. A number of capital projects previously scheduled for later years have been advanced to coincide with turbine upgrades beginning in 2000/01. By advancing these projects, CBPC will be able to avoid duplicating outages associated with these projects and the turbine upgrades.

Sources of financing available to fund sustaining capital expenditures include internal funds, the credit facility (Note 15), issuance of additional Project Bonds and cash flow from operations.

(b) ALPC construction contract

In December 1998, Arrow Lakes Power Company entered into a turn-key, design-build contract for approximately $210 million with Peter Kiewit Sons Co. Ltd. for the construction of the Keenleyside powerplant. The powerplant is scheduled to be completed by the end of 2002. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule; and a schedule of payments to the contractor. Construction of the powerplant commenced in March 1999. Construction is on schedule in accordance with scheduled milestones under the design-build contract.

The construction contract includes a bonus for early completion. The contractor will be entitled to receive a portion of power revenue up to December 31, 2002 if marketable power is produced before that date.

(c) ALPC fish entrainment compensation

Arrow Lakes Power Company has made a commitment to contribute $175,000 annually, adjusted for inflation, to compensate for fish entrainment for as long as fish are entrained in the Keenleyside powerplant. This funding will initially be used for fertilizing fish stocks in the Upper and Lower Arrow Reservoirs.

20. Related party transactions

(a) Ministry of Employment and Investment

The Ministry of Employment and Investment for the year ended March 31, 2000 provided $497,615 (1998/99 - $489,021) in salaries and support services to CPC which were billed on a cost recovery basis. The amount billed by the Ministry includes $459,385 (1998/99 - $453,521) towards the payment of salaries and benefits of CPC's employees. These costs were charged to Joint Venture Projects based on employee time allocation.

(b) The Trust

The Trust and its subsidiaries charged the joint ventures $310,889 (1998/99 - $266,301) for overhead, professional services and accounting costs directly related to joint venture activities.

(c) Payments to BC Hydro

BC Hydro provided $671,537 (1998/99 - $743,690) of project consulting and management services to the joint ventures at market rates.

(d) Due to related parties

Amounts due to related parties comprised of the following:

	March 31, 2000	March 31, 1999
BC Hydro	$ 88,682	$ 28,321
The Trust and subsidiaries	41,245	37,613
Ministry of Employment and Investment	487,507	467,521
	$ 617,434	$ 533,455

The amounts represent current payables and were paid subsequent to year end.

21. Subsequent events

On April 3, 2000, the Province transferred $24,075,000 to CPC's segregated trust account in accordance with the Agreement signed July 27, 1995, between the Province and the Trust. One common share, without par value, was issued to the Province.

CPC holds hydroelectric power expansion rights for the Waneta and Brilliant dams in the Columbia Basin. On April 1, 2000, 50% of these rights were sold by CPC to the Trust for $25,925,000. The proceeds of the sale were deposited to CPC's segregated trust account. The expansion rights were dedicated by both parties to PPPJV.

22. Contingencies

(a) Power Projects

A lawsuit by Stothert Power Corp. seeking damages relating to the Purcell Power project is pending. It is not possible at this time for CPC to predict with certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available, that it is unlikely that any liability would occur.

The amount of the joint venture's share of the proceeds from the sale of assets jointly funded by PPPJV and Stothert Power Corp. is in dispute. The joint venturers have initiated a separate lawsuit against Stothert Power Corp. to collect their full share of these proceeds. Management's estimate of the amount is included in accounts receivable.

The ALPC construction contractor has made a claim for costs arising from seismic construction standards. While the final outcome with respect to negotiation of these costs cannot be predicted with certainty, it is the opinion of management that the resolution of the claim will not have significant effect on the Corporation's financial position.

CPC's power project investment activities are affected by federal, provincial and local government laws and regulations. Under current regulations, the Venturers are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

The Joint Venturers' power project construction program is dependent on the funding arrangements detailed in the Agreement of July 27, 1995 between the Province and the Trust. The Agreement states that all of the Province's payments to the Trust and CPC are subject to the appropriation of sufficient funds in that year's Provincial Budget.

(b) Columbia Basin Power Company

The operation of the Brilliant Dam is affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, CBPC has agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. The financial impact, if any, of complying with future legislative or regulatory requirements cannot currently be estimated.